CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

United Cigar-Whelan

STORES CORPORATION

Annual Report · 1954

UNITED CIGAR-WHELAN STORES CORPORATION

82 THIRTY-NINTH STREET · BROOKLYN 32, N. Y.

★

DIRECTORS

DAVID G. BAIRD,
Senior Partner, Baird & Co.,
New York, N. Y.

LEO BERTISCH,*
President

FRANK H. BLAIR,
Associated with Allen & Co.,
New York, N. Y.

GEORGE P. FRENKEL,
Director and Executive Vice President,
Frenkel & Co., Inc.,
New York, N. Y.

CHARLES GREEN,*
Chairman of the Board

J. RAYMOND McGOVERN,
McGovern & Connelly,
New Rochelle, N. Y.

WILLIAM L. PFEIFFER,
Chairman of the Board, United States
Hoffman Machinery Corporation,
New York, N. Y.

NAT POLINSKY,
Partner, Minnesota Woolen Co.,
Duluth, Minn.

TED M. SEGAL,*
New York, N. Y.

HARRY T. SILVERMAN,*
Director and Secretary-Treasurer,
Dorset Products, Inc.,
New York, N. Y.

MILTON SOREF,
Production Manager, Master Lock Co.,
Milwaukee, Wis.

B. A. TOMPKINS,*
Director and Executive Vice President,
Bankers Trust Company, New York, N. Y.

* Member — Executive Committee

★

OFFICERS

CHARLES GREEN, Chairman of the Board

HARRY T. SILVERMAN, Chairman of Executive Committee

LEO BERTISCH, President

BENJAMIN S. THAW, Executive Vice President

PAUL OLSEN, Vice President, Treasurer
and Comptroller

ALVAH K. PARENT, Vice President
and Secretary

HARRY M. CHICHESTER, Vice President

HERMAN H. GOLDSTEIN, Vice President

FRANK KOHN, Vice President

CHARLES J. SEWALL, Assistant Secretary
and Assistant Treasurer

★

COUNSEL

ARANOW, BRODSKY, EINHORN & DANN, New York, N. Y.

UNITED CIGAR-WHELAN STORES CORPORATION

Annual Report

March 25, 1955

To the Stockholders of

UNITED CIGAR-WHELAN STORES CORPORATION:

There is submitted herewith the Annual Report of your Corporation for the year ended December 31, 1954. Accompanying this report are the consolidated financial statements of the Corporation and its subsidiaries as at December 31, 1954, together with the report of S. D. Leidesdorf & Co., Certified Public Accountants. These financial statements include comparative figures for the year 1953.

Profit after taxes for the year 1954 was $489,273, compared with $731,205 for 1953. This decrease in profit was due to a decline in sales volume accompanied by an increase in the cost of doing business. The decline in sales resulted from the further closing of unprofitable units, both stores and agencies, and the fact that we were affected, particularly in our primary market areas, by the nationwide decline in retail sales in identical units during 1954. Despite this sales decline, we actually increased, percentagewise, our gross margin of profit. We also made substantial reductions in our overhead and other costs. These gains, however, were more than offset by wage increases in our retail stores and warehouses under the terms of our various union agreements. Unfortunately, in our type of competitive business, such cost increases cannot readily be passed on in our retail pricing to consumers.

The financial position of your Corporation is excellent. During 1954 inventories and receivables were reduced approximately $1,500,000. The closing of unprofitable units released an additional amount of working capital. The Corporation purchased for its treasury 92,533 shares of Common Stock at a cost of $383,934 and 960 shares of Convertible Preferred Stock at a cost of $73,405, the net result of which was to further increase the equity of the Common Stock. The regular dividend of $3.50 was paid on the Convertible Preferred Stock. A dividend of 15¢ per share was paid on January 25, 1955 from current earnings to holders of Common Stock of record, December 27, 1954, compared with a dividend of 12½¢ per share declared in 1953 and paid on January 25, 1954. Our cash position at December 31, 1954 showed an improvement of approximately $300,000 over 1953.

We believe that our basic policy, which emphasizes better buying and better merchandising, resulting in a better margin of gross profit on sales, plus strict attention to the elimination of any waste and duplication in our operation, will produce more profitable results in the long run. Management sincerely believes that adherence to this policy has produced beneficial results during the past three years despite the drop in profits in 1954. The factors pointed out above—elimination of unprofitable units, reduction of inventories, improvement of the financial position of the Corporation, etc., together with an improvement in the efficiency of our operation through the consolidation of our New York Office with our Warehouse in Brooklyn and the streamlining of our supervisory and store operations—place us in a most favorable position to take advantage of the expected upturn in business in 1955 and to expand our retail operations in our primary market areas. With this in view, we are constantly negotiating for the leasing of new, modern, profitable drug stores to replace those sold or closed, including the possible acquisition, through purchase, merger, or both, of other businesses in order to expand our earning potentialities. Our entire Board of Directors is alerted and bending every effort in this direction. Stockholders and the public will be kept informed of any developments.

During 1954 there were several changes in your Management team. Following the annual meeting on May 19, 1954, Mr. Charles Green was elected Chairman of the Board upon the resignation of Mr. B. A. Tompkins, who continues as a Director and Member of the Executive Committee. Mr. Green devotes all his time to the affairs of the Corporation. On July 1, 1954, Mr. Benjamin S. Thaw, who had been our Vice President in charge of Food Operations during the past two and a half years, was elected to the position of Executive Vice President. This event has contributed substantially to the streamlining and further efficiency of our executive organization. On December 31, 1954, Mr. A. Herbert Smith, Vice President and General Manager of our Florida operations, retired after many years of exceptional service to the Corporation.

On behalf of the Board of Directors, I wish to extend our thanks and appreciation to all of our Officers and employees for the manner in which they approached and, in most cases, solved the many difficult problems which we faced in 1954.

Respectfully submitted,

LEO BERTISCH, *President*

COMPARATIVE CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1954 AND 1953

UNITED CIGAR-WHELAN STORES CORPORATION AND SUBSIDIARY COMPANIES

ASSETS

	1954	*1953*
CURRENT ASSETS:		
Cash	$ 4,940,432	$ 4,641,702
United States Government securities, at cost	—	9,200
Accounts and notes receivable, and merchandise shipments to agents, less reserves—Note A	1,437,804	1,633,546
Inventories of merchandise and supplies, at cost or market whichever is lower	8,179,107	9,504,433
Prepaid insurance, taxes and rent	274,573	261,756
Total Current Assets	14,831,916	16,050,637
OTHER ASSETS—Note A:		
Merchandise shipments to agents	440,600	470,250
Notes and accounts receivable due after one year, etc.	226,308	158,200
	666,908	628,450
FIXED ASSETS, at cost or less:		
Real estate	—	18,513
Furniture, fixtures and equipment (includes approximately $1,400,000 on which depreciation provided is equal to asset)	5,166,881	5,409,771
	5,166,881	5,428,284
Less: Depreciation	3,240,683	3,282,226
	1,926,198	2,146,058
Improvements to leaseholds, less amortization	2,331,167	2,568,192
	4,257,365	4,714,250
DEFERRED CHARGES	259,413	263,136
	$20,015,602	$21,656,473

This statement is subject to the accompanying Notes to F

COMPARATIVE CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 1954 AND 1953

UNITED CIGAR-WHELAN STORES CORPORATION AND SUBSIDIARY COMPANIES

LIABILITIES

	1954	*1953*
CURRENT LIABILITIES:		
Accounts payable	$ 2,618,246	$ 3,052,657
Dividends payable	330,462	298,615
Taxes accrued and withheld, other than Federal taxes on income	571,277	707,106
Accrued compensation and other liabilities	675,059	721,061
Provision for Federal taxes on income—Note B	519,955	724,163
Long-term debt—current maturities	500,000	500,000
Total Current Liabilities	5,214,999	6,003,602
LONG-TERM DEBT—3½% notes payable, due 1955 to 1957, less current maturities shown above	1,050,000	1,550,000
Total Liabilities	6,264,999	7,553,602
CAPITAL STOCK AND SURPLUS—Note C:		
Capital Stock:		
Convertible Preferred Stock, par value $100.00 a share, $3.50 dividend cumulative:		
Authorized—50,000 shares		
Issued—21,000 shares	2,100,000	2,100,000
Common Stock, par value 30¢ a share:		
Authorized—3,000,000 shares		
Issued—2,307,308 shares	692,192	692,192
Capital Surplus (no change during year)	5,896,900	5,896,900
Earned Surplus (since July 1, 1939)	6,046,909	5,941,838
	14,736,001	14,630,930
Less: Treasury stock, at cost	985,398	528,059
	13,750,603	14,102,871
LONG-TERM LEASES AND OTHER COMMITMENTS—Note D		
	$20,015,602	$21,656,473

cial Statements, which are made an integral part hereof.

COMPARATIVE CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

FOR THE YEARS ENDED DECEMBER 31, 1954 AND 1953

UNITED CIGAR-WHELAN STORES CORPORATION AND SUBSIDIARY COMPANIES

	1954	*1953*
Net sales and shipments to agents—Note A	$58,718,077	$63,958,188
Other operating income:		
Income from display advertising, sundry commissions, etc.	1,381,073	1,481,288
Rental income	867,443	866,703
	60,966,593	66,306,179
Cost of goods sold and cost of shipments to agents, and selling, general and administrative expenses, exclusive of depreciation and amortization	59,353,887	64,301,802
	1,612,706	2,004,377
Depreciation and amortization	707,830	734,437
	904,876	1,269,940
Other income:		
Profit on disposition of fixed assets and leases	112,510	186,957
Miscellaneous	73,817	54,447
	186,327	241,404
	1,091,203	1,511,344
Other deductions:		
Interest on long-term debt	57,896	77,272
Miscellaneous	89,034	42,867
	146,930	120,139
Net income before Federal taxes on income	944,273	1,391,205
Provision for Federal taxes on income	455,000	660,000
Net income	489,273	731,205
Earned Surplus (since July 1, 1939) as at beginning of year	5,941,838	5,573,068
	6,431,111	6,304,273
Dividends on Convertible Preferred Stock ($3.50 a share)	71,286	82,215
Dividend on Common Stock (15¢ a share in 1954 and 12½¢ a share in 1953)	312,916	280,220
	384,202	362,435
Earned Surplus (since July 1, 1939) as at end of year	$ 6,046,909	$ 5,941,838

This statement is subject to the accompanying Notes to Financial Statements, which are made an integral part hereof.

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1954

UNITED CIGAR-WHELAN STORES CORPORATION AND SUBSIDIARY COMPANIES

GENERAL:

Reference is made to the previously issued annual report for the notes applicable to the consolidated financial statements as at December 31, 1953 and for the year then ended.

NOTE A—Merchandise Shipments to Agents:

In accordance with the Corporation's established policy, net sales and shipments to agents, as shown in the accompanying consolidated statement of income and earned surplus, include amounts representing merchandise shipments to agents who operate retail outlets, ownership of which merchandise, under the terms of the agency agreements, remains with the Corporation until the merchandise is sold by the agents. Amounts owing by agents for merchandise sold as at December 31, 1954 and the accountability of agents as at that date for unsold shipments of merchandise (other than initial inventory allowances) together total $846,361. Of this amount, $836,773 is included in the accompanying consolidated balance sheet under Current Assets in "Accounts and notes receivable, and merchandise shipments to agents, less reserves," and $9,588 is included under Other Assets. The initial inventory allowances, for which agents are not required to make settlement until the termination of the agency, are included under Other Assets.

NOTE B—Taxes:

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

NOTE C—Capital Stock and Surplus:

The Convertible Preferred Stock is entitled in liquidation to and is redeemable at the option of the Corporation, in whole or in part, upon 30 days' notice, at $103 per share during 1955 and 50¢ less per share during each of the succeeding years through 1960, and thereafter at $100 per share plus, in each year, accrued dividends to the date of liquidation or redemption. Each share of Convertible Preferred Stock may be exchanged for four shares of Common Stock.

The Corporation's loan agreement, under which the 3½% notes payable were issued, provides, among other restrictions and limitations, (1) that at no time shall the Corporation permit its consolidated net current assets to be less than $8,000,000 and (2) that the Corporation will not declare or pay dividends (other than dividends payable in its Common Stock) or purchase or redeem any of its outstanding capital stock, if immediately thereafter and as a result thereof consolidated current assets will be less than 175% of consolidated indebtedness, as defined in the agreement. Pursuant to provision (2), and based on the accompanying consolidated balance sheet, current assets, $14,831,916, may not be reduced, in the manner indicated, below the approximate amount of $11,200,000.

Treasury stock, at cost, consists of 960 shares of the Corporation's Convertible Preferred Stock (all acquired during the year) and 221,128 shares of its Common Stock (of which 92,533 shares were acquired during the year).

NOTE D—Long-term Leases and Other Commitments:

The Corporation and its subsidiaries in the ordinary course of business lease all store properties. At December 31, 1954 there were 159 leases expiring more than three years after that date for which the minimum annual rental was approximately $2,250,000. The majority of these leases provide for additional rental based upon percentages of sales in excess of predetermined bases and upon other factors.

The Corporation is contingently liable with respect to the guarantee of another's obligation approximating $165,000.

S. D. LEIDESDORF & CO.
Certified Public Accountants
125 Park Avenue
New York, N. Y.

ACCOUNTANTS' REPORT

To the Board of Directors

UNITED CIGAR-WHELAN STORES CORPORATION
New York, N. Y.

We have examined the consolidated balance sheet of United Cigar-Whelan Stores Corporation and subsidiary companies as at December 31, 1954 and the related consolidated statement of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earned surplus, together with the notes to financial statements, present fairly the consolidated financial position of United Cigar-Whelan Stores Corporation and subsidiary companies at December 31, 1954, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

New York, N. Y.
March 17, 1955

Executive Offices

82 Thirty-Ninth Street — Brooklyn 32, N. Y.

★

Branch Offices and Warehouses

82 39th Street, Bush Terminal Bldg. No. 22, Brooklyn 32, N. Y.

5000 District Boulevard	Los Angeles 11, Calif.
239-243 N. W. 28th Street	Miami 37, Fla.
725 South Wells Street	Chicago, Ill.

★

Transfer Agent

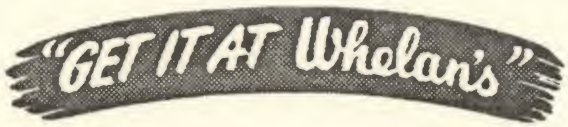
Convertible Preferred Stock and Common Stock

Bankers Trust Company, New York, N. Y.

Registrar

Convertible Preferred Stock and Common Stock

Manufacturers Trust Company, New York, N. Y.


"GET IT AT Whelan's"